

Message Text

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TO USLO PEKING PRIORITY

INFO AMCONSUL HONG KONG

C O N F I D E N T I A L STATE 082949

E.O. 11652: GDS

TAGS: EAGR, ETRD, CH

SUBJECT: TCK WHEAT SMUT PROBLEM

1. ABOUT TWO WEEKS AGO, DREYFUS AND CARGILL RECEIVED RESPONSES FROM CEROILFOOD ACCEPTING THE COMPANIES' PROPOSALS (WHICH WERE, IN PART, AT OUR INSTIGATION) TO SEND AN EXPERT DELEGATION TO THE PRC TO DISCUSS THE TCK PROBLEM. THE TEXTS OF THE CEROILFOOD MESSAGES REFERRED TO "YOUR SCIENTISTS AND TECHNOLOGISTS" THUS LEAVING AMBIGUOUS WHETHER USG PERSONNEL COULD BE INCLUDED.

2. SINCE THE COMPANIES DO NOT HAVE TECHNICAL EXPERTISE IN TCK, WE HAVE AGREED WITH AGRICULTURE THAT USDA PERSONNEL COULD BE MADE AVAILABLE FOR THE DELEGATION. THE COMPANIES HAVE ACCEPTED THIS OFFER, AND ON APRIL 19 CABLED NEARLY IDENTICAL REPLIES TO CEROILFOOD TRANSMITTING THE NAMES AND POSITIONS OF THE PROPOSED DELEGATION MEMBERS. EACH COMPANY WILL SEND ONE REPRESENTATIVE, AND THE FOLLOWING USDA PERSONNEL HAVE BEEN PROPOSED: L.P. REITZ, CONFIDENTIAL

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AGRICULTURAL RESEARCH SERVICE (ARS); THOMAS DARLING,

ANIMAL PLANT HEALTH INSPECTION SERVICE; E. LIEBE, AGRICULTURAL MARKETING SERVICE; DONALD NOVOTNY, DIRECTOR, GRAIN DIVISION, FOREIGN AGRICULTURAL SERVICE; AND DR. JAMES A. HOFFMAN, ARS AND UTAH STATE UNIVERSITY. HOFFMANN'S INCLUSION SEEMS PARTICULARLY DESIRABLE IN VIEW OF HIS EXPERTISE, CONNECTIONS WITH THE ACADEMIC COMMUNITY,

AND HIS PREVIOUS TRIP TO PRC.

3. COMPANIES' CABLES WILL INDICATE TO CHINESE USDA AFFILIATIONS. WE HAVE AGREED WITH USDA THAT THEIR EMPLOYEES WILL REMAIN ON USG PAYROLL, THAT USDA--NOT THE GRAIN COMPANIES--WILL COVER ALL THEIR EXPENSES INCLUDING TRAVEL, AND THAT THEY WILL NOT COMMIT THE USG WHILE IN THE PRC. IF THE CHINESE ACCEPT THIS PROPOSAL, THE DELEGATION MEMBERS WILL BE BRIEFED IN WASHINGTON BY THE DEPARTMENT AND USDA BEFORE THEIR DEPARTURE.

4. PURPOSE OF THIS VISIT AS WE SEE IT WILL BE TO CONTINUE THE DIALOGUE ON TCK, INDICATE BY THE DELEGATION'S PRESENCE THAT WE ARE SERIOUSLY CONCERNED, TRY TO CONVINCE THE CHINESE THAT TCK IS A MANAGEABLE PROBLEM, AND HOPEFULLY ELICIT AN INDICATION FROM THE PRC OF LEVELS OF TOLERANCE THAT MIGHT BE PERMITTED AND AN AGREED PROCEDURE FOR HANDLING SHIPMENTS THAT DO NOT MEET THE TOLERANCE LEVELS. USDA WOULD OF COURSE LIKE THE GROUP TO MEET SOME RESPONSIBLE OFFICIALS IN THE MINISTRY OF AGRICULTURE; WE HAVE TOLD USDA THAT THE CHINESE WILL UNILATERALLY DETERMINE WHO THE DELEGATION IS PERMITTED TO SEE AND THAT THIS WILL UNDOUBTEDLY NOT BE KNOWN UNTIL AFTER ARRIVAL.

5. WE WOULD EXPECT GROUP TO TOUCH BASE WITH USLO, BUT DO NOT BELIEVE WE SHOULD INSIST ON USLO ESCORT. WOULD APPRECIATE USLO VIEWS ON THIS AND OTHER ASPECTS OF PROPOSED VISIT.

6. A THIRD COMPANY IN THE US-PRC GRAIN TRADE, COOK INDUSTRIES INC., HAS DECLINED TO GO ALONG WITH THE JOINT APPROACH. SO FAR, COOK HAS NOT HAD A SHIPMENT REFUSED

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BY THE CHINESE FOR TCK, ALTHOUGH THEY HAVE RECEIVED A "WARNING." (THIS MAY BE EXPLAINED BY THE FACT THAT THE COMPANY IS A MORE RECENT ENTRANT IN THE PRC MARKET.) USDA HAS LEARNED FROM CONFIDENTIAL TRADE SOURCES THAT COOK REPRESENTATIVES LEFT MEMPHIS FOR PEKING VIA PARIS ON SUNDAY, APRIL 21. WE DO NOT KNOW THE EXACT COMPOSITION OF THE GROUP, BUT IT MAY INCLUDE COOK PRESIDENT EDWARD W. COOK, WILLARD SPARKS AND ONE OR TWO OTHER

COMPANY OFFICIALS FROM MEMPHIS, AND GERARD EMLER OF COOK'S PARIS OFFICE. IN ADDITION, WE UNDERSTAND THAT A PROFESSOR JACK SCHAFER, HEAD OF THE PLANT PATHOLOGY DEPARTMENT, STATE UNIVERSITY OF WASHINGTON, PULLMAN, WASHINGTON, WILL ACCOMPANY THE GROUP. WE DO NOT HAVE FURTHER DETAILS ON THE CIRCUMSTANCES OR PURPOSES OF THIS VISIT; IT MAY BE RELATED TO THE "WARNING" THAT COOK

RECEIVED. USLO DOES NOT NEED TO INITIATE ANY INQUIRIES, BUT YOU SHOULD REPORT PROMPTLY ANY INFORMATION ABOUT THIS GROUP THAT COMES TO YOUR ATTENTION. KISSINGER

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